

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

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| In Re: W.R. GRACE & CO., et al., Debtors. | § § § § § § | Chapter 11 § Jointly Administered Case No. 01-01139 (JKF) |
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**FEE AUDITOR'S FINAL REPORT REGARDING
FEE APPLICATION OF DUFF & PHELPS, LLC
FOR THE TWELFTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Twelfth Interim Quarterly Fee Application of Duff & Phelps, LLC (the "Application").

BACKGROUND

1. Duff & Phelps, LLC ("Duff & Phelps") was retained as financial advisor to State Street Bank and Trust Company, the investment manager and fiduciary of the Grace stock within the Grace savings and investment plan.. In the Application, Duff & Phelps seeks approval of fees totaling \$50,000.00 and costs totaling \$2,416.91 for its services from February 1, 2004, through April 30, 2004¹.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the expense entries

¹ Duff & Phelps' services fall outside the normal purview of the bankruptcy fee application process. Nevertheless, as fee auditor in the Grace bankruptcy matter, we were asked by the Debtor to review the Application. At the further request of the Debtor and local Debtor's counsel, we were asked to waive the normal interim date restrictions so that the Application could be reviewed in its entirety.

included in the exhibits to the Application, for compliance with 11 U.S.C. §330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals.

DISCUSSION

3. We note that in its application, Duff & Phelps states, "W.R. Grace agreed to pay D&P a flat fee of \$50,000 in preparing and presenting an initial financial analysis on the valuation of Grace stock plus reasonable, accrued expenses. In addition, W.R. Grace agreed to pay D&P a monthly retainer fee of \$25,000 for the two month period following presentation of the initial financial analysis, for providing State Street periodic update financial analyses and any other financial advisory services that might be reasonably requested." In its application Duff & Phelps catalogues eight reports, including seven brief summary updates and a detailed financial analysis.


4. We have no objections to, or issues with, the Application, and thus we did not send an initial report to Duff & Phelps.

CONCLUSION

5. Thus, we recommend approval of fees totaling \$50,000.00 and costs totaling \$2,416.91 for Duff & Phelps' services from February 1, 2004, through April 30, 2004.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 2nd day of August, 2004.


Warren H. Smith

SERVICE LIST

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